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TOP THRIFT EARNERS — TABLE ON PAGE 16

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Today

CHICAGO: THE FINANCIAL CENTER

The newest arrival in the Chicago market is Mitsui Trust and Banking Co., which is also the first Japanese trust bank to start a branch in the Midwest hub. 18

NBD Bancorp has paid a steep price to enter Chicago, including high premiums for acquisitions to control $3 billion in area banking assets. 18

David Ganis, the first banker to become chairman of the Futures Industry Association, has taken over at just about the most controversial period in the industry's history. 19

The cavernous retail banking floor at First National Bank of Chicago's headquarters is being redesigned to accommodate retail customers. 19

INSIDE

U.S. bankers in Tokyo contend that the razor-thin margins carved by Japanese financial institutions will cut non-Japanese out of the market. 2

International financial markets have withstood the turbulence following October's crash, according to the Bank for International Settlements. 2

U.S. banks are seriously undercapitalized and are overstating the value of loans to Third World countries, according to a GAO report. 3

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THRIFTS & MORTGAGES

The East Coast operations of First Nationwide Bank will get a boost from the opening of a Cherry Hill, N.J., branch. 10

Two Texas thrift mergers are imminent, revealed John H. Rousselot, president of the National Council of Savings Institutions, after he phoned Bank Board Chairman M. Danny Wall from the pressroom of the group's Toronto conference. 10

The potential for takeover of a depository institution can be identified through such considerations as market characteristics, writes Jerome I. Baron in the Observer column. 12

Worth Repeating

Consistency argues powers for all.

Federal Reserve Board Chairman Alan Greenspan, commenting, after a speech, that S&Ls should get whatever expanded powers are given to banks. [Page 1]

S&L Report Card: Who Won, Lost

By LINDA ELLIS

NEW YORK — Home Savings of America, Irwindale, Calif., was the biggest earner among thrifts last year, according to an *American Banker* survey of profit and loss at savings institutions.

This despite that yearend 1987 earnings of $202.7 million at subsidiary H.F. Ahmanson & Co., Los Angeles, were 39.8% lower than the year before.

Western Federal Savings and Loan Association, Dallas, lost the most money in 1987 — $885.3 million — and is now under a management consignment program. The second heaviest loser was Financial Corporation of America's American Savings and Loan Association, Stockton, Calif., with red ink amounting to $467.5 million.

The ranks of profit-making thrifts dwindled last year as the industry lost a record $6.8 billion, compared with earnings of $132 million in 1986.

At yearend 1987, according to the Federal Home Loan Bank Board, 66% of thrifts were profitable, or 2,089 of 3,147. That was down from 73% showing positive net income at yearend 1986.

Thrifts: Page 17 ➤

Top Thrift Earners

Leaders in 1987 net income

	($ Mil.)
1. Home Savings of America	$202.7
2. Great Western	193.3
3. Glendale Federal	174.7
4. California Federal	151.5
5. World Savings	150.4

People

Bill Simon's Man in Honolulu

By JEFFREY KUTLER

HONOLULU — Like many chief executive officers, the chairman of Honolulu Federal Savings and Loan Association hangs mottos on his office wall to impress the corporate mission upon colleagues and visitors.

The most prominent of several signs in Gerald Czarnecki's office reads: "We are not in the service business. We are in the business of selling services."

Nothing very unusual there, except that Mr. Czarnecki came to his job from what most resume readers would characterize as a bank-operations background. Without forsaking the need for technical competence, he has become a fervent believer in sales and marketing, and he is aiming to reshape an entire $2 billion-asset S&L around those functions.

'We need to do a better job of selling.'

— Gerald Czarnecki Honolulu Federal Savings

It is a prodigious undertaking. Not only is Honolulu Federal on the mend after a close brush with failure, but Mr. Czarnecki's bosses also are some of the

Operating: Page 14 ➤

Fed Chief Backs New Powers For S&Ls, Too

Says Banks and Thrifts Should Be Treated Alike

By RICHARD RINGER
Midwest Bureau

CHICAGO — Federal Reserve Board Chairman Alan Greenspan suggested on Thursday that savings and loans should get whatever expanded powers are given to banks.

"Consistency argues powers for all," Mr. Greenspan said in response to a question following a speech in which he once again urged Congress to provide expanded powers for banks.

Mr. Greenspan did not elaborate on his comment about new powers for thrifts. His suggestion, however, differs from congressional testimony by M. Danny Wall, chairman of the Federal Home Loan Bank Board. Mr. Wall has said it would be inappropriate for Congress to consider giving federally chartered thrifts expanded powers until the financial problems of the Federal Savings and Loan Insurance Corp. are resolved.

In his speech at a Federal Reserve Bank of Chicago conference on the restructuring of the financial services industry, the Fed chairman said there are indications that the banking industry's profitability "is unlikely to be maintained." He urged broader powers for bank holding companies as a way for them to remain competitive.

Mr. Greenspan warned, however, that profits from new bank powers will not be substantial.

"Moreover, it does not seem likely, thanks to the competitive nature of the U.S. financial system, that there are ab-

Greenspan: Page 17 ➤

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May 13, 1988, American Banker

What's the Big Deal About Developing Written Loan Policies?

By JOHN T. MORRIS

THE OFFICE of the Comptroller of the Currency recently released the results of a very interesting study. The purpose was to identify and classify the root causes for the failure of 162 national banks in the United States since 1979.

The conclusion of the Comptroller's staff — which is not all that earth shattering — was as follows: "The most often observed problems in these failed banks involved the lack of policies and procedures or the failure to follow them. This suggests that establishing and adhering to policies and procedures is important to a bank's success."

Obvious, right? But if it's so obvious, why do so many bank managements continue to go along day to day, year to year, without expounding even the most basic of loan policies?

I would go a step further. An even larger number of banks may have a semblance of loan policies in the minds of a few key managers. But they are still reluctant to publish even an outline of what they think their loan policies are. Why do so many bank managements resist putting loan policies in writing?

This article lists some of the more common reasons banks give for not developing written loan policies. Each of these reasons is in reality a nonsensical excuse that will eventually lead the institution into disaster.

Mr. Morris is president of J.T. Morris & Associates Inc., Weston, Conn., consultants to lending institutions.

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> Loan policies that are constantly being revised out of necessity are probably poorly written in the first place.

One of the most common reasons so many banks are reluctant to publish written loan policies is that management does not want to face the inevitable internal dissension and controversy. For example, loan policies normally define what types of risks are acceptable for the bank to assume.

Now if you or the area you're responsible for happen to be affected adversely by what is defined as "unacceptable," you undoubtedly will fight hard to change the definition — or at least try to loosen it up a little. If you are unsuccessful in your battle on this front, you will then probably try to affect your peers' areas adversely, to even out the internal playing field a little.

It turns into a political battle. And political battles are usually neither particularly productive nor healthy. But I contend that the dissension and controversy that grows out of developing written loan policies is of the healthiest kind.

Dissension Can Be Healthy

Deliberating loan policies is one of the most educational and insightful processes that can occur at any level of bank management, from the board on down. Reading a bank's loan policy conjures up the clearest image of the direction senior management wants to take an institution. Now that's where the rubber truly meets the road.

Another commonly mentioned reason for failing to develop written loan policies is that they usually end up being too restrictive. Written policies are certainly much harder to change than oral directives — the cast-in-concrete argument.

This argument says that one cannot possibly anticipate all the new types of loan requests that may arise. And most of these will prove to be acceptable risks anyway. When new situations actually do arise, they will have to be approved as "exceptions to policy" — or perhaps even the policy will have to be changed to accommodate. As a result, many of these new but acceptable situations just might take too long to win approval. Good business gets lost or turned away.

It should be possible to build into every written policy statement a mechanism for appropriately but quickly reviewing and making decisions on acceptable exceptions to policy. Exceptions to policy should be expected, not discouraged.

Whenever a particular aspect of policy becomes more the exception than the rule, it is probably time to change that aspect to reflect the real world more accurately. On the other hand, loan policies should be designed and written so that actual revisions are fairly infrequent. Loan policies that are constantly being revised out of necessity are probably poorly written in the first place and are possibly even more confusing than no written policies at all.

A corollary argument from the banks is that written loan policies sap the lending function's flexibility and imagination. Customers are turned off by constantly hearing their loan officer respond: "We just can't do it that way. It's against written policy."

Road Signs, Not Blinders

If the loan officers are saying this frequently — and they really mean it rather than just using the policies to hide their own lack of imagination — then the real problem is loan policies that are too specific, not that they happen to be in written form. Good loan policies should be like road signs that point the loan officer in the right direction rather than blinders that restrict the officer's vision to a very narrow, rigid path.

Another frequent argument against written loan policies is heard from a bank's chief executive officer who runs a one-man show: "I'm in charge here and I want to make all the decisions — including what is within policy and what is not. I don't want anyone but me trying to interpret loan policy around here."

Fine. If that's the CEO's wish and he's been given that prerogative by his board, let him operate in that fashion. But I don't agree with this approach.

I guarantee that it would be a lot easier and more productive for this type of CEO to write out the details of his credit philosophy. He can still make the final decisions.

Lacking written guidelines, everything — no matter how minuscule — must be referred to the CEO. How will he ever have the time or mental energy to handle the really meaningful credit policy matters? And how will the bank function if the CEO is called away or becomes temporarily incapacitated and there are no written guidelines?

Under this type of one-man regime it is common for a new lending officer to report for work and find no written loan policies to guide him. He therefore continues operating under the policies of his previous employer. And who knows how liberal those might have been?

If the new officer doesn't know what matters must be referred to the CEO, many times he won't refer anything — that is, until it's too late. Written loan policies let the new employee know from Day One what is expected of him.

Another commonly cited reason for not putting loan policies in writing is simply that bank management doesn't know what to include. This is probably the most valid of all the reasons I've listed.

But fear not! the Office of the Comptroller of the Currency has come to the rescue. "Comptroller's Handbook for National Bank Examiners" lists all the topics that should at least be considered for inclusion in a written loan policy.

This list can serve as an outline. Should the bank still need help, the Comptroller's staff certainly stands ready to assist.

In closing, let me point out the most disturbing argument that is often used to justify not publishing loan policies: It would merely be a big waste of time for the bank to put its loan policies in writing because no one follows the present oral policies, anyway.

Not taking established loan policy seriously is unfortunately a fairly common practice. The Comptroller's study alludes to this problem when it concludes that many banks fail because they do not follow closely enough their own loan policies and procedures.

I admit that developing written loan policies would indeed be a big waste of time if no one were serious about following them. But I am assuming that management is really serious about staying in business.

If a bank takes the step to formalize its loan policies, it should also take the steps to enforce them. Certainly some sort of monitoring system should be built into the loan policies themselves to ensure that they are taken seriously and followed closely. ■

BRIEF COMMENT

Citicorp's Caravan to Washington Seeks Legislative Clout

The following item originally appeared in the April 29 edition of the Washington Weekly Report, published by the Independent Bankers Association of America.

□

CITICORP has decided it wants to get close to the people. No, not *those* people. The *big* people. The very important people in Washington who decide the fate of the big banks.

Perhaps the biggest of U.S. banks sees storm clouds forming over the nation's capital, over such costly-to-Citicorp propositions as assessing Federal Deposit Insurance Corp. premiums on foreign deposits. Citicorp is sending 20 of its own down Interstate 95 two-by-two to build an ark.

Until now, Citicorp has relied on the assorted talents of the Washington law firm of Barnett, D'Amours, Sivon & Shay to plead its case. The company says that won't change, although the new office will handle legal and regulatory affairs. (Indeed, most big banks have abandoned proprietary D.C. offices in favor of farming out lobbying chores to law firms, Bill Isaac's Secura Group, etc.)

Citicorp has instead opted for hands-on involvement. The hands are attached to Charles Long, an executive vice president of Citicorp who is a part of chairman John Reed's inner circle. Steve Hopkins, the bank's director of government affairs, is the second member of the caravan to be named.

Neither of these men are rubes; they are savvy, no-nonsense types who would probably like nothing better than to cultivate a reputation for walking on water without getting their argyles damp.

Around town, Citicorp & Co. is being viewed more as an embassy than an ark. And rightly so.

Citicorp is as foreign a form of life as one is likely to find in this international city. Perhaps it will attempt to dodge assessments on foreign deposits with claims of diplomatic immunity. ■

May 13, 1988, American Banker

Top 100 Thrifts in Net Income

In Order of 1987 Net Income, Compared with 1986

Rank 1987		Net Income for Full Year 1987	1986	% Chg.	Rank 1986	Assets 12/31/87	R.O.A. 1987
1	Home Savings of America, FA, Irwindale, Calif. [2]	202,671,000	336,730,000	(39.81)	1	30,533,471,000	0.66
2	Great Western Bank, FSB, Beverly Hills [2]	193,312,000	300,243,000	(35.61)	2	28,526,110,000	0.68
3	Glendale Federal Savings & Loan Assn., Calif. [2]	174,661,000	111,244,000†	57.01	8	23,206,137,000	0.75
4	California Fed. Savings & Loan Assn., Los Angeles [2]	151,500,000	143,400,000	5.65	5	23,219,400,000	0.65
5	World Savings, FS&LA, Oakland, Calif. [2]	150,437,000	183,010,000	(17.80)	4	12,837,910,000	1.17
6	Columbia Savings & Loan Assn., Beverly Hills [2]	119,349,000	193,526,000	(38.33)	3	11,227,256,000	1.06
7	Dime Savings Bank of New York FSB, Garden City [1]	113,604,000	130,612,000	(13.02)	6	10,944,187,000	1.04
8	Home Fed. Savings & Loan Assn. of San Diego, Calif. [2]	103,045,000	103,358,000	(0.30)	10	14,109,123,000	0.73
9	CrossLand Savings FSB, Brooklyn, New York [1]	100,136,000	101,232,000	(1.08)	11	13,774,567,000	0.73
10	Franklin Savings Assn., Ottawa, Kan. [2]	89,881,000†	119,971,000†	(25.08)	7	9,049,634,000	0.99
11	Great American First Savings Bank, San Diego, Calif. [2]	88,125,000	93,745,000	(5.99)	13	15,242,243,000	0.58
12	Green Point Savings Bank, Brooklyn, New York [1]	86,685,678	91,005,789	(4.75)	14	3,588,764,621	2.42
13	Citicorp Savings of Illinois, FS&LA, Chicago [2]	86,497,000	31,515,000	174.46	51	5,509,947,000	1.57
14	Standard Federal Bank, Troy, Mich. [2]	67,420,060	66,502,760	1.38	20	8,514,739,405	0.79
15	CenTrust Savings Bank, Miami [2]	63,786,000	51,848,000	23.02	28	8,187,242,000	0.78
16	Long Island Savings Bank FSB, Syosset, N.Y. [2]	63,536,000	80,005,000	(20.58)	17	5,666,304,000	1.12
17	Citicorp Savings, FS&LA, San Francisco [2]	57,903,000	59,873,000	(3.29)	24	6,976,531,000	0.83
18	First Nationwide Bank, FSB, San Francisco [2]	57,113,000	104,183,000	(45.18)	9	17,177,903,000	0.33
19	Coast Savings & Loan Assn., Los Angeles [2]	57,069,000	50,400,000	13.23	30	11,951,980,000	0.48
20	Imperial Savings Assn., San Diego, Calif. [2]	49,884,829	47,510,000	5.00	32	10,869,881,763	0.46
21	Washington Federal Savings & Loan Assn., Seattle [2]	49,821,000	39,291,000	26.80	40	1,900,475,000	2.62
22	People's Bank, Bridgeport, Conn. [1]	49,606,000	45,668,000	8.62	34	5,651,206,000	0.88
23	Sears Savings Bank, Glendale, Calif. [2]	46,850,000	7,056,781	563.90	...	5,604,724,000	0.84
24	American Savings Bank FSB, New York [1]	45,750,000	40,570,000	12.77	38	4,052,698,000	1.13
25	Third Federal Savings & Loan Assn., Cleveland [2]	42,549,507	36,211,248	17.50	47	2,021,473,945	2.10
26	Lincoln Savings & Loan Assn., Irvine, Calif. [2]	41,020,000	50,760,000	(19.19)	29	4,748,467,000	0.86
27	Citicorp Savings of Florida, FS&LA, Miami [2]	40,063,367	38,566,000	3.88	44	2,713,948,413	1.48
28	Washington Mutual Savings Bank, Seattle [1]	40,014,000	70,653,846	(43.37)	19	5,707,574,000	0.70
29	San Jacinto Savings Assn., Houston [2]	37,291,000	38,577,037	(3.33)	43	2,843,381,000	1.31
30	Cragin Federal Savings & Loan Assn., Chicago [2]	36,507,370	36,328,390	0.49	46	2,065,218,314	1.77
31	Howard Savings Bank, Newark, N.J. [1]	34,856,000	24,049,000	44.94	69	4,880,614,000	0.71
32	Manhattan Savings Bank, New York [1]	34,792,638	26,516,015	31.21	64	3,040,874,820	1.14
33	First Federal of Michigan, Detroit [2]	33,448,000	73,022,629	(54.20)	18	11,882,593,000	0.28
34	Western Savings & Loan Assn., Phoenix, Ariz. [2]	33,406,011	44,196,778	(24.42)	35	6,052,257,047	0.55
35	Downey Savings & Loan Assn., Costa Mesa, Calif. [2]	33,191,332	57,154,846	(41.93)	26	3,219,288,136	1.03
36	Emigrant Savings Bank, New York [1]	32,613,000	28,452,749	14.62	57	3,558,059,000	0.92
37	Society for Savings, Hartford, Conn. [1]	31,269,000	23,036,000	35.74	73	3,557,645,000	0.88
38	East River Savings Bank, New York [1]	31,232,000	31,522,390	(0.92)	50	2,596,003,000	1.20
39	Anchor Savings Bank FSB, Northport, N.Y. [2]	30,902,000	60,822,000	(49.19)	22	7,673,815,000	0.40
40	Home Owners Federal Savings & Loan Assn., Boston [2]	30,555,000	28,025,000	9.03	59	3,657,020,000	0.84
41	Fidelity Federal S & L Assn., Glendale, Calif. [2]	29,890,000	30,557,000	(2.18)	53	3,848,192,000	0.78
42	Georgia Federal Bank, FSB, Atlanta [2]	29,818,000	29,703,000	0.39	55	3,570,772,000	0.84
43	Hudson City Savings Bank, Paramus, N.J. [1]	29,522,442	16,122,612	83.11	...	2,891,962,321	1.02
44	MeraBank, FSB, Phoenix, Ariz. [2]	29,076,000	(24,149,000)†	120.40	...	6,635,588,000	0.44
45	Carteret Savings Bank, FA, Morristown, N.J. [2]	27,843,000	46,091,000	(39.59)	33	5,906,209,000	0.47
46	Apple Bank For Savings, New York [1]	27,567,000	22,487,000	22.59	79	2,866,754,000	0.96
47	Dollar Bank FSB, Pittsburgh [2]	27,264,000	11,288,000	141.53	...	2,463,892,000	1.11
48	Astoria Federal Savings & Loan Assn., Queens, New York [2]	27,148,484	25,999,288	4.42	66	2,643,382,160	1.03
49	Rochester Community Savings Bank, N.Y. [1]	26,976,000	19,408,000	38.99	96	3,272,385,000	0.82
50	Capitol Federal Savings & Loan Assn., Topeka, Kan. [2]	26,875,000	33,253,558	(19.18)	48	2,613,369,000	1.03
51	Home Savings Bank, Brooklyn, New York [1]	26,067,000	30,062,128	(13.29)	54	1,637,095,787	1.59
52	Dollar-Dry Dock Savings Bank, White Plains, N.Y. [1]	25,607,000	10,684,000	139.68	...	4,609,881,000	0.56
53	Atlantic Financial Federal, Bala Cynwyd, Pa. [2]	25,271,000	19,168,000	31.84	97	7,355,209,000	0.34
54	Sacramento Savings & Loan Assn., Calif. [2]	25,197,234	19,434,342	29.65	95	2,218,584,000	1.14
55	Albany Savings Bank FSB, N.Y. [2]	25,139,790	22,525,537	11.61	77	1,844,933,980	1.36
56	Homestead Savings, FS&LA, San Francisco [2]	24,651,000	29,444,563	(16.28)	56	5,512,871,000	0.45
57	Citizens Savings Bank FSB, Providence, R.I. [1]	24,482,913	28,290,310	(13.46)	58	1,949,534,113	1.26
58	Pacific First Federal Savings Bank, Tacoma, Wash. [2]	24,415,000	23,470,000	4.03	70	4,508,601,000	0.54
59	Greater New York Savings Bank, New York [1]	23,449,000	32,537,000	(27.93)	49	2,975,908,000	0.79
60	South Boston Savings Bank, Boston [1]	22,505,000	16,832,991	33.70	...	1,327,788,000	1.69
61	Far West Savings & Loan Assn., Newport Beach, Calif. [2]	21,828,000	23,129,000	(5.62)	72	3,751,520,000	0.58
62	Talman Home Federal Savings & Loan Assn., Chicago [2]	21,025,000	26,434,000	(20.46)	65	6,048,694,000	0.35
63	St. Paul Federal Bank for Savings, Chicago [2]	20,249,032	20,060,000	0.94	91	2,818,398,750	0.72
64	Great Lakes Bancorp, FSB, Ann Arbor, Mich. [2]	20,227,000	22,233,732	(9.03)	81	3,143,233,000	0.64
65	Collective Federal Savings Bank, Egg Harbor City, N.J. [2]	20,216,385	21,750,780	(7.05)	84	1,996,114,222	1.01
66	Peoples Heritage Federal S & L Assn., Salina, Kan. [2]	20,179,000	27,374,000	(26.28)	62	2,155,580,000	0.94
67	San Francisco Federal Savings & Loan Assn. [2]	20,031,000	22,132,000	(9.49)	83	2,911,825,000	0.69
68	Farm & Home Savings Assn., Nevada, Mo. [2]	19,989,929	21,738,996	(8.05)	85	3,494,095,183	0.57
69	Federal Savings Bank of Puerto Rico, San Juan [2] (a)	19,228,947	20,439,740	(5.92)	89	1,166,640,668	1.65
70	Perpetual Savings Bank, FSB, McLean, Va. [2]	19,208,000	22,655,000	(15.22)	76	4,690,121,000	0.41
71	Northeast Savings, FA, Hartford, Conn. [2]	18,723,000	39,446,000†	(52.54)	39	7,368,279,000	0.25
72	Seamen's Bank for Savings FSB, New York [1]	18,330,000	26,954,000	(32.00)	63	4,124,084,000	0.44
73	Nevada Savings & Loan Assn., Las Vegas [2]	18,032,698	17,679,906	2.00	...	2,368,063,436	0.76
74	Benjamin Franklin Federal S & L Assn., Portland, Ore. [2]	17,367,000	27,926,982	(37.81)	60	4,923,795,000	0.35
75	Ridgewood Savings Bank, Queens, New York [1]	17,279,822	13,427,833	28.69	...	1,116,915,634	1.55
76	Security Savings & Loan Assn., Milwaukee, Wis. [2]	17,059,363	16,905,056	0.91	...	2,129,228,723	0.80
77	Jamaica Savings Bank FSB, Lynbrook, N.Y. [1]	17,020,836	21,240,967	(19.87)	87	1,392,342,356	1.22
78	Bay View Fed. Savings & Loan Assn., San Mateo, Calif. [2]	17,005,000	15,058,000	12.93	...	2,091,251,000	0.81
79	Northwestern Savings & Loan Assn., Chicago [2]	17,002,824	12,567,140	35.30	...	1,358,346,000	1.25
80	Honolulu Federal Savings & Loan Assn., Hawaii [2]	16,924,000	1,769,000	856.70	...	2,143,861,000	0.79
81	Peoples Heritage Savings Bank, Portland, Me. [1]	16,706,000	11,432,000	46.13	...	1,700,371,000	0.98
82	Goldome, Buffalo, N.Y. [1]	16,681,000	52,880,000	(68.45)	27	15,153,370,000	0.11
83	Valley Federal S & L Assn., Van Nuys, Calif. [2]	16,544,000	17,033,000	(2.87)	...	3,324,584,000	0.50
84	First Constitution Bank, New Haven, Conn. [2] (b)	16,276,000	13,538,000	20.22	...	1,767,068,000	0.92
85	Bowery Savings Bank, New York [1]	16,232,000	18,887,000	(14.06)	98	6,513,306,000	0.25
86	New Bedford Institution for Savings, Mass. [1]	16,171,000	11,393,000	41.94	...	883,879,000	1.83
87	Silverado Banking Savings & Loan Assn., Denver [2]	16,004,000	15,624,000	2.43	...	2,257,151,000	0.71
88	Roosevelt Federal Savings & Loan Assn., Chesterfield, Mo. [2]	15,911,000	16,578,000	(4.02)	...	2,293,689,000	0.69
89	Firstrust Savings Bank, Philadelphia [1]	15,902,000	13,000,000	22.32	...	1,039,933,000	1.53
90	First American Savings Bank for Savings, Boston [1]	15,741,000‡	12,204,000‡	28.98	...	688,231,000	2.29
91	Fairfax Savings, FSB, Baltimore [2]	15,299,000†	4,483,000†	241.27	...	373,540,000	4.10
92	Western Federal Savings & Loan Assn., Marina Del Rey, Calif. [2]	15,249,000	11,303,000	34.91	...	2,188,199,000	0.70
93	Columbia Banking Federal S & L Assn., Rochester, N.Y. [2]	15,048,000	25,703,527	(41.46)	67	1,482,999,326	1.01
94	Champion Federal Savings & Loan Assn., Bloomington, Ill. [2]	15,018,490	59,041,000†	(74.56)	25	2,316,818,354	0.65
95	Union Federal Savings & Loan Assn., Los Angeles [2]	15,013,070	16,344,756	(8.15)	...	1,927,646,417	0.78
96	Mutual Savings & Loan Assn. FA, Bay City, Mich. [2]	14,905,367	13,427,917	11.00	...	1,248,501,000	1.19
97	Hunter Savings Assn., Cincinnati [2]	14,844,000	14,704,000	0.95	...	1,301,177,000	1.14
98	Ohio Savings Bank, Cleveland [2]	14,750,899	15,576,000	(5.30)	...	1,392,092,437	1.06
99	Hawthorne Savings & Loan Assn., Calif. [2]	14,536,192	11,855,344	22.61	...	859,443,989	1.69
100	Citizens Federal Savings & Loan Assn., Miami [2]	14,476,824	13,693,587	5.72	...	3,005,091,000	0.48

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York.** ADP has two thrift data bases for thrifts: (1) Its data base of thrifts reporting to the FHLBB on the "Quarterly Financial Report to the Federal Home Loan Bank Board." Virtually all of these thrifts are FSLIC-insured. To obtain a net income figure for calendar 1987 using the FHLBB data, current net income for each the four quarters of the year are summed. (2) Its new data base of savings banks reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks." All the institutions in this data base are FDIC-insured. A dagger **(†)** indicated FHLBB data were used, and a double dagger **(‡)** indicates FDIC data were used. **Net Income** is income after taxes but before extraordinary items. It is total income (operating plus nonoperating) minus total expenses (operating, nonoperating, and income taxes) for calendar years 1987 and 1986, unless otherwise noted. **ROA—** return on assets, or net income for 1987 divided by total assets on 12/31/87. **(a)—** Formerly Bayamon Federal S&L Assn. **(b)—** Formerly First Federal Bank of Connecicut. Changed title and insurance (from FSLIC to FDIC) in January 1988. **( )—** Indicate a net loss in the net income column and a percentage decline in the percent change column. **([1])— An FDIC-insured institution. ([2])—An FSLIC-insured institution.**

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Number of Thrifts Posting Gains Dwindled in '87

Continued from Page 1

The 33% of the industry that was unprofitable last year lost a total of $13.4 billion. Nationally, 345 thrifts are insolvent, the Bank Board said.

Only one institution among the 50 that lost the most, Meritor Savings Bank, Philadelphia, is insured by the Federal Deposit Insurance Corp. All the others are covered by the Federal Savings and Loan Insurance Corp. Meritor, which lost $395.8 million, blamed the higher cost of funds as well as lower earning assets due to what the company called a "strategic shrinking" of the balance sheet.

50 Largest Thrift Losses
Table on Page 20

According to the *American Banker*'s survey, Texas and California accounted for a significant number of losers and winners, respectively.

The survey shows a disproportionate number of Texas thrifts in the loss column, 8 out of the top 10. California is home to 7 of the 10 most profitable thrifts as rated by net income.

Even among the most profitable thrifts, however, the results for the year were lower, sometimes sharply, from 1986. Great Western Bank, Beverly Hills, Calif., is second in profitability but its net fell 35.6%. Glendale Federal Savings and Loan Association, Glendale, Calif., with the third highest net income, and California Federal Savings and Loan Association, Los Angeles, with the fourth highest, are the only thrifts among the top 10 earners that registered improvement in 1987. Glenfed's earnings would have been even higher, the company said, except for one-time expenses associated with the acquisition of Guarantee Savings, Fresno, Calif.

Between the coasts, regional thrifts had ho-hum results for the most part. Earnings were depressed in the Midwest for the same reasons they were elsewhere: competitive pricing of deposit rates and new mortgages, reduced gains from the sale of loans in the secondary markets, and new accounting standards.

Among 70 predominantly eastern and midwestern thrifts, the return on assets in 1987 tumbled to 0.43% from 0.72% in 1986, a consequence of negative nonoperating results, according to Sanford Rose, an associate editor of the *American Banker*. Last year, for the first time in five years, nonoperating expenses, which include mark-to-market losses on mutual fund investments and loan-loss provisions, exceeded nonoperating income.

For the industry as a whole, including all 3,147 insured thrifts, net operating income was $3 billion, compared with $4.6 billion in 1986, according to the Bank Board. Nonoperating losses were $7.1 billion, versus $1.3 billion in 1986.

An increase in the provision for loan losses to $10.9 billion from $8.6 billion reflected an incentive to take losses under the Tax Reform Act of 1986. ■

Riggs Sells Mexican Loans

WASHINGTON — Riggs National Corp. said its Riggs National Bank unit sold $22.2 million of Mexican loans for about $14 million.

The bank said it did not realize any loss on the sale because reserves for the loans had been established in prior periods. It did not identify the buyer of the loans.

With the sale, Riggs said its total "problem country exposure" had been reduced to $66.5 million, or 1.1% of assets, from $107 million, or 1.7% of assets, as of Dec. 31, 1987. ■

Greenspan: Grant New Bank Powers to S&Ls

Continued from Page 1

normally high profits in very many markets now closed to banks just waiting to be captured by banks once new powers are granted," he said.

Mr. Greenspan has long favored repeal of the Glass-Steagall Act.

"Of all the possibilities for expanded bank powers, repeal of Glass-Steagall is the most consistent with addressing the fundamental market and regulatory developments undermining the long-run health of the U.S. banks."

The Fed chairman reiterated his support of the blanket authorization of securities powers contained in a Senate-passed bill drafted by Banking Committee Chairman William Proxmire.

"I believe it would not be useful to grant only specific, limited securities powers to banking organizations, since that runs the risk of product obsolescence as market innovations and technological change continue," said Mr. Greenspan.

In his speech, he also repeated the Federal Reserve Board's assertion that any new powers given to banks should be conducted through subsidiaries of a bank holding company. He said that the Fed believes bank holding companies should not be regulated by function.

"So long as some portion of a holding company has access to the federal safety net," said Mr. Greenspan, "our view is that it would be inappropriate to abandon the holding company to a piecemeal regulatory structure that leaves no agency responsible for seeing that the activities of the organization as a whole don't impose undue risk on the depository system."

The Fed chairman said that economic and competitive factors have eroded bank earnings, and that the factors contributed to a fivefold increase in loan-loss provision in the 1980s and a near tripling of net chargeoffs.

While some banks remain profitable, Mr. Greenspan said, a decline in aggregate bank earnings has resulted from "the deteriorating credit quality experienced by most money center banks, and the large number of banks west of the Mississippi [that are] heavily committed to energy, agriculture, and real estate credits."

Other financial companies that provide credit have taken away some of the banks' best customers, said Mr. Greenspan. While "the highest-quality business borrowers have been attracted away from banks to the money and capital markets for direct financing, the banking system has found its remaining customers to be less creditworthy than earlier in the postwar period," he said. ■

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

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The 50 Largest Losses in the Thrift Industry

Based on Net Losses for 1987

Rank 1987		Net Income/Loss for Year 1987	1986	% Chg.	Assets 12/31/87	R.O.A. 1987
1	Western Federal Savings & Loan Association, Dallas [2]	(885,310,000)†	N.A.	.....	854,082,000	-103.66
2	American Savings & Loan Association, Stockton, Calif. [2]	(467,553,000)	95,989,000	-587.09	33,843,873,000	-1.38
3	Sunbelt Savings Association, Dallas [2]	(459,446,000)†	(80,680,000)†	-469.47	3,386,571,000	-13.57
4	Meritor Savings Bank, Philadelphia [1]	(395,799,000)	22,920,000	-1,826.87	19,016,456,000	-2.08
5	Lamar Savings Association, Austin, Tex. [2]	(253,675,000)†	(90,439,000)†	-180.49	1,919,183,000	-13.22
6	First Texas Savings Association, Dallas [2]	(242,540,000)†	(137,016,000)†	-77.02	3,484,217,000	-6.96
7	Meridian Savings Association, Arlington, Tex. [2]	(233,872,000)†	(9,101,000)†	-2,469.74	183,097,000	-127.73
8	State Federal Savings & Loan Association, Lubbock, Tex. [2]	(226,302,000)†	(65,150,00)†	-247.36	466,849,000	-48.47
9	Continental Savings Association, Bellaire, Tex. [2]	(201,359,000)†	(11,607,000)†	-1,634.81	384,629,000	-52.35
10	Gill Savings Association, Hondo, Tex. [2]	(199,772,000)†	55,672,000†	-258.84	1,626,630,000	-12.28
11	Franklin Savings Association, Austin, Tex. [2]	(193,121,000)†	(55,320,000)†	-249.10	474,785,000	-40.68
12	United Savings Association, Houston [2]	(185,673,000)	60,287,000	-407.98	5,802,246,000	-3.20
13	Champion Savings Association, Houston [2]	(179,316,000)†	(5,697,000)†	-3,047.55	775,667,000	-23.12
14	Beverly Hills Savings, FS&LA [2]	(151,410,000)†	(244,924,000)†	38.18	1,683,651,000	-8.99
15	Bell Savings & Loan Association, FS&LA, San Mateo, Calif. [2]	(149,850,000)†	(156,444,000)†	4.21	1,000,324,000	-14.98
16	Gibraltar Savings, Beverly Hills [2]	(138,283,000)	40,616,000	-440.46	13,486,564,000	-1.03
17	Commodore Savings Association, Dallas [2]	(134,301,000)†	(250,655,000)†	46.42	746,296,000	-18.00
18	Lyons Savings, FSB, Hinsdale, Ill. [2]	(133,576,000)	N.A.	.....	1,906,373,000	-7.01
19	Victor Savings & Loan Association, FS&LA, Muskogee, Okla. [2]	(131,848,000)†	N.A.	....	262,683,000	-50.19
20	City Savings & Loan Association, San Angelo, Tex. [2]	(126,608,000)†	(52,230,000)	-142.?0	708,994,000	-17.86
21	Commonwealth Savings Association, Houston [2]	(124,448,000)†	2,492,000†	-5,093.90	1,783,796,000	-6.98
22	Stockton Savings Association, Dallas [2]	(122,531,000)†	(58,880,000)†	-108.10	650,129,000	-18.85
23	Baltimore Federal Financial, FSA [2]	(120,074,000)	2,078,000	-5,878.34	1,794,634,000	-6.69
24	Sandia Federal Savings & Loan Association, Albuquerque, N.M. [2]	(117,191,000)†	(3,266,000)†	-3,488.21	1,172,316,000	-10.00
25	Pacific Savings Bank, Costa Mesa, Calif. [2]	(113,062,000)†	(47,371,000)†	-138.67	1,119,803,000	-10.10
26	American Diversified Savings Bank, Lodi, Calif. [2]	(111,628,000)	(505,212,000)	77.90	546,120,000	-20.44
27	North America Savings & Loan Association, FS&LA, Santa Ana, Calif. [2]	(111,173,000)†	N.A.	.....	101,105,000	-109.96
28	Savers Federal Savings & Loan Association, Little Rock, Ark. [2]	(107,174,000)	N.A.	.....	937,111,000	-11.44
29	Guaranty Federal Savings & Loan Association, Dallas [2]	(104,439,000)†	4,143,000†	-2,620.85	2,966,890,000	-3.52
30	Southwest Savings & Loan Association, Abilene, Tex. [2]	(103,566,000)†	(6,400,000)†	-1,518.22	251,819,000	-41.13
31	Cardinal Federal Savings Bank, Cleveland [2]	(99,219,000)†	307,000	-32,418.89	1,595,312,000	-6.22
32	Ben Milam Savings & Loan Association, Dallas [2]	(99,019,000)†	(87,871,000)	-12.69	127,614,000	-77.59
33	Heights Savings Association, FSA, Houston [2]	(97,220,000)†	(71,607,000)	-35.77	293,644,000	-33.11
34	Gibraltar Savings Association, Houston [2]	(94,824,000)†	(76,558,000)†	-23.86	6,148,164,000	-1.54
35	Security Savings & Loan Association, Scottsdale, Ariz. [2]	(92,049,000)†	(190,732,000)†	51.74	798,734,000	-11.52
36	First Federal Savings of Arkansas, FA, Little Rock [2]	(89,602,000)	11,033,000	-912.13	1,737,758,000	-5.16
37	Universal Savings Association, Houston [2]	(83,560,000)†	(8,655,000)	-865.45	156,278,000	-53.33
38	Bright Banc Savings Association, Dallas [2]	(69,623,000)	(34,876,000)	-99.63	4,794,234,000	-1.45
39	Summit Savings Association, Dallas [2]	(68,692,000)†	(63,257,000)	-8.59	193,532,000	-35.49
40	Peoples Savings & Loan Association, Llano, Tex. [2]	(67,041,000)†	(18,433,000)	-263.70	283,669,000	-23.63
41	TCF Banking & Savings, FA, Minneapolis [2]	(66,562,000)	21,401,000	-411.02	5,871,264,000	-1.13
42	Key Savings & Loan Association, FS&LA, Englewood, Colo. [2]	(64,790,000)†	N.A.	....	189,320,000	-34.22
43	First Financial Bank, FSB, New Orleans [2]	(64,470,000)†	(29,200,000)†	-120.79	752,471,000	-8.57
44	Eureka Federal Savings & Loan Association, San Carlos, Calif. [2]	(63,882,000)†	(22,430,000)	-184.81	1,689,565,000	-3.78
45	Spindletop Savings Association, Beaumont, Tex.[2]	(60,608,000)†	(6,040,000)†	-903.44	272,128,000	-22.27
46	Paris Savings & Loan Association, Tex. [2]	(57,691,000)†	(6,534,000)†	-782.94	347,979,000	-16.58
47	Southern Federal Banc S&L Association, Lancaster, Tex.[2]	(56,124,000)†	(14,489,000)†	-287.36	111,079,000	-50.53
48	Banc Home Savings Association, Midland, Tex.[2]	(52,368,000)†	(4,556,000)†	-1,049.43	641,044,000	-8.17
49	Mercury Savings Association of Texas, Wichita Falls [2]	(52,277,000)†	(81,378,000)†	35.76	499,919,000	-10.46
50	Ameriway Savings, Houston [2]	(52,214,000)†	(3,028,000)†	-1,624.37	209,743,000	-24.89

Data Sources: American Banker questionnaire and Federal Home Loan Bank Board data. A dagger (†) indicates FHLBB data were used. FHLBB data— which are the sum of current net income for the four quarters of the year— were provided by **ADP Data Services, New York. Net Income** is income after taxes but before extraordinary items. It is total income (operating plus nonoperating) minus total expenses (operating, nonoperating, and income taxes) for calendar years 1987 and 1986, unless otherwise noted.

ROA— return on assets, or net income (loss) for 1987 divided by total assets on 12/31/87. **( )—** Indicates a loss. **(1)—** A FDIC-insured institution. **(2)—** A FSLIC-insured institution. **N.A.—** Not available.

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First Nationwide Corp. Expansion Moves East

Continued from Page 10

branch within five or six miles of one or several K mart stores; the spokes are the offices within the discount retailer.

The company recently opened New York State hubs in Syracuse and the Albany area, the latter circled by four K marts. In King of Prussia, Pa., 11 K marts surround the hub.

Overall, Mr. Kaiser is responsible for retail operations in Florida, Maryland, New Jersey, New York, Pennsylvania, and Virginia. The 115 branches (51 in K mart stores) now are generating 38% of First Nationwide's $18.8 billion in assets. The Cherry Hill office will be the flagship operation in New Jersey.

East Coast Move in '81

The East Coast move began in 1981 with the acquisition of West Side Federal Savings and Loan Association, New York. Later that year, First Nationwide bought Washington Federal Savings and Loan Association, Miami. In 1987, the company opened branches in K mart stores in the East.

Because the Bank Board grants branching rights in three states to an acquirer that takes over a troubled thrift, First Nationwide gained branching rights for Illinois, Michigan, and New Jersey when it purchased the troubled Lincoln Federal Savings and Loan Association, Louisville, Ky., in December 1986.

"Our marketing focus is consistent; it's a statement we make very clearly," Mr. Kaiser said. "We serve the middle-income, middle-class customer. And draw a line under service.

"Our slogan is 'Respect, concern, and understanding: Don't worry, you'll get used to it,' and we really mean it," the executive said. "We make you feel like a human instead of a number. The secret is developing loyal customers who will use all our services rather than jump from bank to bank."

He notes, however, that customers in New York and Florida are particularly rate-conscious. The money in those two states, he said, is hotter than in other parts of the country.

"We push service, the vast array of products, and the network," he said, referring to the First Nationwide Network, a franchise for independent savings institutions. "You can bank anywhere — just about. And we continue to have our mergers and acquisitions team looking out beyond K marts, looking for acquisitions. We're not married to K mart, as we look throughout the East Coast for partners.

"A K mart branch is very striking," Mr. Kaiser said. "It doesn't look makeshift. It's real marble and looks like it's been there for years. We're expanding services within the K marts. In Virginia and Maryland, we're offering a full range of investment products."

First Nationwide, which pioneered the adjustable-rate mortgage in the early 1980s, is selling its ability to provide national banking services to customers. The 55 members of the First Nationwide Network have combined assets of $36 billion, with approximately 800 branch locations in 39 states. The network is separate from the retail branches. ■

Operating . . .

Continued from Page 14

billion-deposit Bank of Hawaii and the $3.3 billion-deposit First Hawaiian Bank, both in Honolulu.

Real estate development is a new venture for Honolulu Federal. It is currently building three facilities in an industrial park and seeking financing for an office building in Honolulu.

Mr. Czarnecki said he is preparing Honolulu Federal for the long haul. He said this also describes the type of commitment he has received from the Simon investment group.

Honolulu Federal has already begun yielding profits for H.F. Holdings Inc., the company that Mr. Simon and his partners set up to serve as the thrift's parent. Out of $6.9 million in 1987 net income, the S&L paid its owners $2.25 million in dividends last year, or more than 10% of the $17.5 million in cash they used to purchase the institution in November 1986. (The cash was in addition to $40 million in subordinated securities.)

But Honolulu Federal has only just begun to turn itself around. Most of last year's profit, which set a company record, came from selling off assets including repossessed real estate. Future profits will also be depressed by the gradual amortization of more than $100 million worth of goodwill left on the balance sheet at the time of the Simon group's takeover.

It will be up to Mr. Czarnecki and his marketing efforts to deliver new and sustainable streams of earnings. ■

LEGAL ADVERTISING

Notices of Foreclosure

SUPREME COURT - COUNTY OF BRONX. Lend-Mor Corporation, Plaintiff against Anthony Brown, et al Defendant(s). Pursuant to a judgment of foreclosure and sale, entered herein and dated February 3rd, 1988, I, the undersigned Referee, will sell at public auction at the Bronx County Courthouse, 851 Grand Concourse, Bronx, N.Y., in Room 118, Mezzanine, on the 6th day of June, 1988, at 12 Noon, premises briefly described. On the south side of 223rd Street, 142.51 feet west of White Plains Road, being a plot 114.31 feet by 20.54 feet and known as 682 East 223rd Street, Bronx, N.Y. Approximate amount of lien $69,066.90 with interest and costs. Premises will be sold subject to provisions of filed judgment, Index Number 16071/87. Dated: May 12th, 1988, Stephen B. Kaufman, Referee. Philip Irwin Aaron, Attorney(s) for Plantiff 400 Jericho Turnpike, Jericho, N.Y. 11753.

Auction Notices

CORRECTED NOTICE FRED REISNER INC, Auct'r Lic #733421 Sold May 6, 1988 at 12 Noon at 710-720 E. 98th St, Bklyn, NY 1985 Ford 2FABP19X6FB281809 Acct Joan &/Or Wayne Angelson.

Ronald Zaza auctr will sell 5/16/88 9 AM at 1864 Utica Ave, Bklyn, 1967 Pont 2 Dr #223377U133335 Re: Greg Levine. Published 5/6 & 5/13/88.

R. A. Felder Lic #793917 will sell to satisfy lien on 5/31/88 10 AM at 940 Peekskill Hollow Rd, Putnam, '87 Chevy #1G1JF11WXHJ198290 Re: D. Soler; at 585 Uniondale Ave, Uniondale, '78 Olds #3R47F8G401343 Re: W. Ross; at 3400 Baychester Ave, Bx, '81 Chevy #1G1AX68X2B6144775 Re: W. Miller; at Lindskoog Rd, Alcove, '70 Ford #0F02H190002 Re: R. Smart; at 119-33 Spfld Blvd, Cambria Hts, '81 Buick #1G4AB6959BT218595 Re: P. McCargo. Published 5/13 and 5/20.